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BOND AGENCIES AFFIRM COMMONWEALTH'S 'AA' CREDIT RATING FOLLOWING REVIEW OF GOVERNOR'S FY11 BUDGET PROPOSAL

Agencies cite Governor's prudent fiscal management through economic downturn

BOSTON - Friday, March 5, 2010 - Governor Deval Patrick today announced that the Commonwealth's bond ratings have been affirmed by the three major rating agencies, all of whom cited the Governor's responsible and proactive stewardship of the Commonwealth's finances during the current economic downturn as a leading credit strength.
Fitch Ratings, Moody's Investors Service and Standard & Poor's all affirmed the Commonwealth's credit ratings at AA, Aa2, and AA, respectively, with a stable outlook.

"It is welcome news today that the ratings agencies have again affirmed our AA bond rating," said Governor Patrick. "Maintaining this rating allows us to make critical investments in our schools, roads and bridges, and housing while saving taxpayers money. We will continue to manage state finances in a fiscally responsible way, as we have throughout these challenging times, in order to maintain our rating and our ability to make much-needed investments."

"The re-affirmation of the Commonwealth's AA bond rating cites our administration's active and responsible management of the state's finances during very challenging fiscal times," said Lieutenant Governor Timothy Murray. "This rating also demonstrates that our administration has been a good fiscal steward of the taxpayers' money as we continue to support critical investments in our Commonwealth's future."

Moody's cites as the first credit strength of the Commonwealth, "Effective management during economic downturns, with a willingness and ability to promptly identify and close gaps through use of both new revenues and spending reductions."

A number of states have seen their credit rating downgraded over the last two years, as the global recession impacts state revenue collections and leaders are forced to respond. Moody's has downgraded states, including Arizona, California, Illinois, Nevada, Ohio and Rhode Island, with an additional 6 states placed on negative watch. Over the same period, Fitch has downgraded California, Connecticut, Illinois, Michigan, Ohio and Rhode Island, and placed an additional four states on negative outlook. At the same time, Massachusetts has maintained its positive bond rating with a stable outlook, thanks to the successful budget management of the Governor and the Legislature.

"The key is that the Governor and the Legislature have worked together to address this unprecedented fiscal downturn in a prudent way," said Senate Ways and Means Chairman Senator Steven Panagiotakos. "And because of that, the rating agencies have confidence in our ability to properly handle this economic crisis into the future."

"Just as a good credit score is important to families across Massachusetts who might be seeking a mortgage, a strong bond rating allows the state to borrow and finance at reduced rates," said Charles Murphy, Chairman of the House Committee on Ways and Means. "Today's news confirms that the decisions we have made over the past year, while difficult, have been in the best interests of the Commonwealth."

In affirming the Commonwealth's bond rating, Fitch acknowledges the Governor's "record of prudent financial management" and says its "key rating driver" is the Governor's "continued timely action to ensure budget balance and maintenance of an adequate budgeted reserve position to protect against further downside risk."

Standard & Poor's explains that its stable outlook for the Commonwealth reflects the Administration's "proactive approach to managing budget volatility throughout this recession. Revenue adjustments have been frequent and gap-closing actions have been swift, successfully restoring balance. While diminished, the budget stabilization fund retains a balance that will continue to provide flexibility to manage the current fluid revenue environment."

Working collaboratively with the Legislature, the Governor has solved budget shortfalls totaling billions of dollars since the recession began.

"The rating affirmations are a testament to the Governor's continued responsible fiscal management of state finances, particularly during these unprecedented challenging times," said Administration and Finance Secretary Jay Gonzalez. "While other states have been downgraded or have been placed on negative watch, Massachusetts continues to earn approval for its management. This means we can continue to make critical investments at a lower cost to taxpayers, creating new jobs and securing our economic future."

Each of the three agencies note that while the state budget during the economic downturn has relied in part on Rainy Day Funds, we have maintained a healthy balance. Moody's notes that in Massachusetts, "a larger portion of those reserves are still available compared to other large states at this rating level. While the reserve is significantly depleted from a peak of $2.3 billion at the close of fiscal 2007, it is still sizeable enough to provide a cushion against future revenue shortfalls and unforeseen spending needs."

The Commonwealth has upheld an 'AA' bond rating on its General Obligation Bonds throughout the unprecedented global economic downturn. Rating agencies conduct independent assessments of the Commonwealth's creditworthiness based on relevant risk factors. The Commonwealth's ratings are based on its ability to repay fully the principal and interest of its short-term or long-term debt obligations, on a timely basis. For General Obligation bonds, ratings are based primarily on four main factors: the economy, the issuer's financial position, the issuer's current and future debt burden, and financial management.

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